



Market Coverage

Sector Overview – Consumer Discretionary

Consumer Discretionary Sector Overview

I. Background

- Sector Definition:
 - i. Provides consumer goods and services that are generally not considered essential for normal day-to-day activities.
 - ii. Produces products and human services that are consumed at the discretion of the buyer.
- Sector Size:
 - i. As of June 21, 2024, the Consumer Discretionary Sector is the **4th largest sector** in the economy:
 - 1. More than \$8.06 trillion in public market capitalization.
 - 2. Representing 10.92% of the total market.
- Sector Composition:
 - i. Apparel; Restaurants; General Merchandise; Automobiles; Leisure Products; Casinos and Gambling

II. Players in the Sector

Market Capitalizations as of June 21, 2024

- AutoNation (NYSE: AN) // Market Capitalization ~\$6 Billion

- Carnival Corp (NYSE: CCL) // Market Capitalization ~\$20 Billion
- Home Depot Inc (NYSE: HD) // Market Capitalization ~\$353 Billion
- Lululemon Athletica Inc (NASDAQ: LULU) // Market Capitalization ~\$37 Billion
- McDonald's Corp (NYSE: MCD) // Market Capitalization ~\$186 Billion
- Nike Inc (NYSE: NKE) // Market Capitalization ~\$147 Billion

III. Sector Performance

- Return:
 - i. The sector has returned 3.3% throughout 2024 (year-to-date), based on the performance of the ETF SPDR Fund XLY.
 - ii. Relative to the SPY, the Consumer Discretionary Sector has underperformed the general market by 12.6% YTD 2024.

IV. Additional Notes

- The Consumer Discretionary Sector is vast, covering an array of different businesses and subsectors, but the underlying driving force in the sector is the general health of the economy and consumer confidence.
 - i. The sector is highly cyclical, moving up and down with the broader economy.
 - ii. The sector is also affected by consumer spending, consumer confidence, levels of disposal income, unemployment, and monetary policy.
 - 1. The strength of the dollar and the cost of borrowing are two factors that greatly impact consumer spending around durable goods like household appliances, outdoor equipment, and automobiles.
- Consumer Brands and Distribution Models
 - i. Companies in the Consumer Discretionary Sector are constantly competing for customers and trying to meet new consumer preferences; therefore, success in the sector goes beyond just providing a good product or service.
 - 1. Companies with superior brand reputation or superior distribution tactics have a distinct advantage in consumer-facing businesses.

2. For example, price being equal, some consumers are loyal to certain brands while other consumers are simply shopping for convenience (easiest way for the consumer to acquire the good or service).

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The material in this document reflects performance based on adjusted close prices for June 21, 2024.

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